

AUTHORIZING THE SECRETARY OF THE INTERIOR TO ENTER  
INTO AN ADDITIONAL CONTRACT WITH THE YUMA COUNTY  
WATER USERS' ASSOCIATION WITH RESPECT TO PAYMENT OF  
CONSTRUCTION CHARGES ON THE VALLEY DIVISION, YUMA  
RECLAMATION PROJECT, ARIZONA

---

JUNE 11, 1956.—Committed to the Committee of the Whole House on the State  
of the Union and ordered to be printed

---

Mr. ENGLE, from the Committee on Interior and Insular Affairs,  
submitted the following

R E P O R T

[To accompany H. R. 6940]

The Committee on Interior and Insular Affairs, to whom was referred the bill (H. R. 6940) to authorize the Secretary of the Interior to enter into an additional contract with the Yuma County Water Users' Association with respect to payment of construction charges on the valley division, Yuma reclamation project, Arizona, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

The amendments are as follows:

Page 2, line 13, to page 3, line 5, strike out the first sentence of section 2 and insert the following:

The general repayment obligation payable under the contract authorized by section 1 of this Act shall be ascertained by the Secretary (a) by adding to \$165,605.46 any operation and maintenance costs incurred on or after January 1, 1955, which are unpaid on the date of the contract, (b) by subtracting from the sum thereof (i) any payments under water-right applications heretofore or hereafter approved by the Secretary on the Valley division which have become due and payable and which have been received beginning with January 1, 1955, and prior to the date of the contract, and (ii) net profits earned on or after January 1, 1955, and prior to June 30 preceding the date of the contract which are determined by the Secretary to be properly allocable to the Valley division, all as provided in section 3 of this Act, and

(c) by adjusting the difference between (a) and (b) to reflect an appropriate share, as determined by the Secretary, of any amount by which the cost to the Government of a certain trestle to be constructed by the Southern Pacific Railway Company across the Yuma Main Canal pursuant to the contract dated April 15, 1912, between it and the United States varies from \$175,306.

Page 4, line 1, strike out the word "undistributed".

Page 4, line 8, following the words "the division" insert the words , the sale of small tracts within the division pursuant to the Act of March 31, 1950 (64 Stat. 39, 43 U. S. C., secs. 375b-375f),

Page 5, line 8, strike out the word "fund" and insert the word "appropriation".

#### PURPOSE

This legislation authorizes the Secretary of the Interior to enter into an additional repayment contract with the Yuma County Water Users' Association and thereby provides the basis for a final repayment settlement for the valley division of the Yuma reclamation project in Arizona.

#### EXPLANATION OF THE BILL

The Yuma project was one of the first reclamation projects built under the original Reclamation Act of 1902. Construction of the project began in 1905 and the first water was made available in 1907. During this early period in the reclamation program, the law required repayment of project costs by contracts with individual water users rather than with water users' organizations as at the present time. The construction charges were set by public notices fixing the repayment obligation of the individual water users. The water charges for the valley division amounted to \$85 per acre on the basis of 3 public notices—the first being for \$75 per acre to cover the original construction and the other 2 being for \$5 each to cover supplemental construction. Repayment to date under these public notices plus other credits to the water users total \$4,281,682.16, as of January 1, 1955. This compares with the total cost incurred or to be incurred of \$4,447,287.62, including an appropriate portion of the cost of replacing the Southern Pacific Railway trestle. Thus, the district's remaining obligation, as of January 1, 1955, is \$165,605.46.

Now that repayment of construction charges for the valley division is nearing completion, the Yuma County Water Users' Association has requested that all its obligations to the Federal Government, with the exception of those relating to the Imperial Dam and the All-American Canal and to Yuma Valley drainage, be consolidated and placed under one final repayment contract. This bill would authorize the Department to enter into such a contract.

Enactment of the legislation and completion of the contract would settle a longstanding controversy regarding the responsibility for replacement of the Southern Pacific Railway trestle, a feature of the project. For a number of years the trestle has been in need of replacement and negotiations have been carried on to apportion the cost of

the work, which is estimated at \$175,306. The cost of the trestle to be borne by the valley division water users has been determined to be \$137,603.46 and the contract which this legislation authorizes provides for return to the United States of this amount with any final adjustments found necessary.

Section 3 of the bill provides that, to the extent that the association's obligation to advance funds for the operation and maintenance of retained works by the Bureau of Reclamation is reduced by appropriate credits, the Bureau would be authorized to receive from project revenues deposited in the reclamation fund sums equal to such credits. That section would also authorize the Bureau to utilize such sums for the same purposes as funds advanced by the association for the operation and maintenance of retained works. The allowance of credits against operation and maintenance advances due from the association would result in the availability of funds required for use by the Bureau of Reclamation for operations and maintenance of retained works. In addition, whenever the share of net profits allocable to the association exceeds the amounts payable by it to the United States, the association would receive funds for distribution to its water users in lieu of credits to be applied against payments thereafter becoming due from the association.

It is estimated that under the contract full project repayment can be achieved in less than 10 years.

#### COMMITTEE'S CONCLUSIONS

The committee agrees with the position of the Yuma County Water Users' Association and the recommendation of the Department of the Interior that payments to the United States should terminate when the aggregate of payments and applicable credits equals the unpaid balance of construction charges allocable to the division. The committee commends the water users of the valley division of the Yuma project for their fine repayment record. The Yuma project has been one of the pioneering developments of the reclamation program. Its contribution to the expansion and stability of the economy of Arizona and the local project area has been substantial.

#### EXECUTIVE REPORTS ON THE LEGISLATION

The report of the Department of the Interior recommending enactment of the legislation with certain amendments is included hereinafter. The amendments recommended by the Department were adopted by the committee. The report of the Bureau of the Budget on an identical bill, S. 2202, also recommending enactment, is also included hereinafter.

---

DEPARTMENT OF THE INTERIOR,  
OFFICE OF THE SECRETARY,  
Washington, D. C., April 11, 1956.

HON. CLAIR ENGLE,

*Chairman, Committee on Interior and Insular Affairs,  
House of Representatives, Washington, D. C.*

MY DEAR MR. ENGLE: You have requested an expression of the views of this Department on H. R. 6940, a bill to authorize the Secretary of the Interior to enter into an additional contract with the

Yuma County Water Users' Association with respect to payment of construction charges on the valley division, Yuma reclamation project, Arizona, and for other purposes.

The Yuma project was one of the first projects built by the Bureau of Reclamation. Construction began in 1905 and the first water was made available in 1907. Under an agreement with the United States, dated May 31, 1906, the Yuma County Water Users' Association, an Arizona corporation, guaranteed the payments for that part of the cost of the irrigation works of the Yuma project thereafter apportioned by the Secretary of the Interior to its shareholders. By a public notice issued April 6, 1917, the construction charges per irrigable acre were fixed at \$75 for the valley division of the project. In 1925, two additional per acre charges of \$5 each were established by public notices to cover the cost of supplemental construction. One of these notices covered the cost of construction at the siphon drop on the Yuma main canal of a hydroelectric powerplant and related works. The other notice dealt with the installation of protective works above the Yuma main canal at Picacho Wash and Unnamed Wash. Under a contract dated February 5, 1931, the association assumed, among other things, the payment of all delinquent and unaccrued construction and supplemental construction charges under existing and subsequent water-right applications made by individual water users. The construction charges paid or payable under the applications which were in existence on June 30, 1953, amounted to \$4,475,095.56, or \$200,336.71 more than the construction charge balance for the valley division as of that date. As additional land is from time to time brought under water-right application, the amount by which contracted repayments exceed the construction charge balance allocable to the valley division will be increased by the amount of construction charges payable under the new water-right applications. Under a contract dated June 15, 1951, the United States transferred to the association the care, operation, and maintenance of certain project works and lands.

H. R. 6940, if enacted, would authorize this Department to enter into a contract with the association under which the association would obligate itself to pay to the United States the difference between the sums of—

(a) \$4,274,758.85, plus any operation and maintenance costs of the valley division which are unpaid on the date of the contract, plus the valley division's share of the cost of a certain railroad trestle across the Yuma main canal, plus certain amounts which will be due from the association if it elects to accept the transfer (which H. R. 6940) would authorize) of certain buildings and other structures and does not pay for the same in cash; and

(b) Payments made to the Government prior to the date of the contract under the water-right applications on the Valley division, plus undistributed net profits received from "leases, permits, and other arrangements for use of project lands and other project property within the division, the sale or use of townsites within the division, and the furnishing of water or water service to other than water-right applicants from the irrigation works of the division," plus "any unapplied credits allocable to said division."

In return for assuming this obligation, the proposed contract which would be authorized by H. R. 6940 would permit the association to



collect and retain all subsequent payments made under water-right applications on the valley division, whether those applications had been entered into prior to the date of the contract or were entered into thereafter. In addition, the bill would authorize the inclusion in the proposed contract of provisions for crediting to the association's annual payments under the contract (or, in certain circumstances, for paying in cash to the association) the portion of the future net profits arising from "leases, permits, and other arrangements" as set out above which is determined by the Secretary to be allocable to the valley division and a portion, similarly determined, of any net profits that may arise from operation of the siphon drop powerplant.

The major figure appearing in the bill is that of \$4,274,758.85, described as the "construction cost" of the valley division. The derivation of this figure is as follows:

Construction costs, original and supplemental, to June 30, 1953. \$6, 443, 587. 77  
Deduct:

Transferred to accounts of Colorado Front Work and Levee System Act of Sept. 2, 1950 (64 Stat. 576).....	\$1, 573, 805. 77	
Water rentals during construction.....	341, 092. 29	
Rentals of buildings.....	66, 563. 58	
Net power revenues applied.....	163, 961. 94	
Other credits.....	23, 405. 34	
		2, 168, 828. 92

Total..... 4, 274, 758. 85

To bring this figure more nearly up to date, the following adjustments would be required:

Additional costs incurred or to be incurred:		
Southern Pacific trestle (estimated) <sup>1</sup> .....	\$137, 603. 46	
Others, including adjustments in earlier accounts.....	34, 925. 31	
		172, 528. 77
Total.....		4, 447, 287. 52

Returns:		
Repayment contracts matured.....	4, 119, 510. 58	
Construction payments in advance.....	24, 649. 35	
Operation and maintenance surplus.....	8, 163. 06	
Sale of lands.....	36, 451. 83	
Undistributed net profits.....	83, 626. 08	
Other net income.....	9, 281. 26	
		4, 281, 682. 16
Total.....		165, 605. 46

<sup>1</sup> Based on valley division's share of estimated cost of \$175,306.

Thus the district's obligation on January 1, 1955, if H. R. 6940 had been enacted and a contract had been entered into before that date, would have been about \$165,605.46, plus the amount due on the buildings and structures taken over by the association. It will be noted, however, that this balance does not include any share of the cost of reconstructing the siphon drop-boundary transmission line which was financed from the appropriations available for Parker-Davis project for the fiscal years 1953 and 1954.

We believe that the bill would leave less room for potential misunderstanding—that, in other words, all parties would know more clearly where they stand—if the first sentence of section 2 of the bill were amended to state a dollar balance as of January 1, 1955, rather than, as it does, to state the construction cost balance as of an earlier

date and then to authorize the application to this cost of a series of credits amounting to millions of dollars. We therefore recommend that the first sentence of section 2 of the bill be amended to read along these lines:

"The general repayment obligation payable under the contract authorized by section 1 of this Act shall be ascertained by the Secretary (a) by adding to \$165,605.46 any operation and maintenance costs incurred on or after January 1, 1955, which are unpaid on the date of the contract, (b) by subtracting from the sum thereof (i) any payments under water-right applications heretofore or hereafter approved by the Secretary on the valley division which have become due and payable and which have been received beginning with January 1, 1955, and prior to the date of the contract, and (ii) net profits earned on or after January 1, 1955, and prior to June 30 preceding the date of the contract which are determined by the Secretary to be properly allocable to the valley division, all as provided in section 3 of this Act, and (c) by adjusting the difference between (a) and (b) to reflect an appropriate share, as determined by the Secretary, of any amount by which the cost to the Government of a certain trestle to be constructed by the Southern Pacific Railway Company across the Yuma Main Canal pursuant to the contract dated April 15, 1912, between it and the United States varies from \$175,306.

We also recommend that the first sentence of section 3 of the bill be amended by deleting the word "undistributed" from line 1, page 4, and by inserting in line 8, page 4, after the word "division", the expression "the sale of small tracts within the division pursuant to the act of March 31, 1950 (64 Stat. 39, 43 U. S. C., secs. 375b-375f)."

Under the contract of June 15, 1951, mentioned above the association agreed, among other things, to pay to the United States in installments, the sums of \$36,389.27 and \$80,306.24, representing, respectively, the shares determined by the then Secretary of the Interior to be appropriately allocable to the association for the costs of operation and maintenance of Imperial Dam and appurtenant works and of the All-American Canal incurred during the period August 4, 1941-December 31, 1947, and for the costs of drainage incurred by the United States pursuant to the Yuma Valley drainage agreement of February 4, 1947. It is our understanding that H. R. 6940 is not intended to and would not affect the association's obligation to pay in full the amounts just stated. Accordingly, the contract proposed to be negotiated under H. R. 6940 will expressly provide that these obligations shall remain in full force and effect.

The obligation undertaken by the association under the contract contemplated by H. R. 6940 would be payable in annual installments not smaller than the aggregate of payments which, in the opinion of this Department, would have become due under outstanding water-right applications. The amounts to be paid under this formula would be subject to adjustment reflecting the net earnings from the sources described in section 3 of the bill and mentioned above. It is our estimate that complete repayment of the valley division's present construction charge balance, including payments for the buildings and structures described in section 2 of the bill, can thus be achieved in less than 10 years.

Section 3 of the bill provides that, to the extent that the association's obligation to advance funds for the operation and maintenance of

retained works by the Bureau of Reclamation is reduced by the credits mentioned above, the Bureau would be authorized to receive from project revenues deposited in the reclamation fund sums equal to such credits. That section would also authorize the Bureau to utilize such sums for the same purposes as funds advanced by the association for the operation and maintenance of retained works.

Under the provisions discussed in the preceding paragraph the allowance of credits against operation and maintenance advances due from the association would result in the availability of funds required for use by the Bureau for operation and maintenance of retained works. In addition, whenever the share of net profits allocable to the association exceeds the amounts payable by it to the United States, the association would receive funds for distribution to its water users in lieu of credits to be applied against payments thereafter becoming due from the association.

The Yuma County Water Users' Association has taken the position that the right of the United States to receive payment of construction charges under existing and future water-right applications on the valley division should terminate when the aggregate of payments and applicable credits equals the unpaid balance of construction charges allocable to the division. On the basis of the present status of the accounts of the Yuma project, it is our view that the association's position is entitled to favorable consideration by the Congress. Subject, therefore, to the amendments above suggested and to the substitution of the word "appropriation" for the word "fund" where it appears in line 8, page 5 of the bill (this for the sake of uniformity with the language of line 3, page 5) and correction of the misspelled "Secretary" in line 16, page 4, we recommend that the bill be enacted.

The Bureau of the Budget has advised that there would be not objection to the submission of this report to your committee.

Sincerely yours,

FRED G. AANDAHL,  
*Assistant Secretary of the Interior.*

---

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington, D. C., March 15, 1956.

HON. JAMES E. MURRAY,  
*Chairman, Committee on Interior and Insular Affairs,  
United States Senate, Washington, D. C.*

MY DEAR MR. CHAIRMAN: This is in reply to your request for the views of the Bureau of the Budget with respect to S. 2202, a bill to authorize the Secretary of the Interior to enter into an additional contract with the Yuma County Water Users' Association with respect to payment of construction charges on the valley division, Yuma reclamation project, Arizona, and for other purposes.

Construction of the Yuma reclamation project was started in 1905 and water for irrigation was first made available in 1907. The valley division of this project comprises some 53,450 acres of irrigable lands. The Department of the Interior estimates that the construction costs to June 30, 1953, totaled \$6,443,588 which, after making deductions for transfers to the Colorado front work and levee system, water rentals during construction, rentals of buildings, net power

revenues applied, and other credits, is reduced to \$4,274,759. Additional costs incurred or to be incurred as estimated by the Department, primarily to reimburse the Southern Pacific Railroad Co. for the replacement of a trestle over the Yuma main canal, would increase this cost to \$4,447,288 against which there are credits aggregating \$4,281,682, leaving an unpaid balance of \$165,606 as of January 1, 1955, exclusive of the costs of buildings and structures that may be taken over by the association and a share of the cost of reconstructing the siphon drop to boundary transmission line financed by appropriations for the Parker-Davis project.

S. 2202, if enacted, would authorize the Secretary of the Interior to enter into an amendatory contract with the Yuma County Water Users' Association which would provide for an adjustment of the repayment obligation to actual costs and for the collection and retention by the association of construction charge payments required to be made under subsequent water-right applications. The contract contemplated by the legislation would specify the remainder of the reimbursable amount, and would permit the water users' organization to retain for its benefit future project revenues, profits or income arising after completion of project payout. The Yuma County Water Users' Association would assume responsibility for paying off the remaining unpaid cost of the project, with due recognition being given to further adjustment for any additional project revenues and costs of the project. Project revenues include those derived from leases, permits, and other arrangements for use of project lands and other property within the division, the sale or use of townsites within the division, the furnishing of water or water service to other than water-right applicants from the irrigation works of the division, net profits from the siphon drop powerplant, and from other sources. Responsibility for any future construction would be clarified and disposition of future project revenues would be specified. Such disposition of project revenues is consistent with the Fact Finders Act of 1924.

On the understanding that it would not reduce the obligation of the Yuma County Water Users' Association to the United States, the Bureau of the Budget would have no objections to the enactment of S. 2202 if amended as recommended by the Department of the Interior in its report to your committee.

Sincerely yours,

PERCY RAPPAPORT,  
*Assistant Director.*

#### COMMITTEE'S RECOMMENDATION

The Interior and Insular Affairs Committee recommends that H. R. 6940, as amended, be enacted.

